TAGGART & PARTNERS

Tax Planning for 2009/2010 with the
Updated Federal Government Investment Allowance
Small Business and General Business Tax Break

The 'Small Business & General Business Tax Break' Bill was passed by both houses of Parliament on Thursday 14 of May. Eligibility for the Investment Allowance is based on the turnover of the business acquiring the asset. **We recommend that you contact our office on 3391 1188 to discuss any proposed capital acquisitions prior to 30 June 2009.**

The tax break, in the form of an investment allowance, provides:

Businesses with turnover less than $2 million

An additional tax deduction of 50% of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 13 December 2008 and 31 December 2009 and first uses the asset, or installs it ready for use, or (in the case of new investment in an existing asset) brings the asset to its modified or improved state on or before 31 December 2010.

Businesses with an annual turnover of less than $2M can only claim on equipment costing $1,000 or above.

Businesses with turnover $2 million or greater

- an additional tax deduction of 30% of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 13 December 2008 and 30 June 2009 and first uses the asset, or installs it ready for use, or brings the asset to its modified or improved state on or before 30 June 2010.
- an additional tax deduction of 10% of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 13 December 2008 and 30 June 2009 and first uses the asset, or installs it ready for use, or brings the asset to its modified or improved state between 1 July 2010 and 31 December 2010.
- an additional tax deduction of 10% of the cost of eligible new tangible depreciating assets where the business commits to investing in the asset between 1 July 2009 and 31 December 2009 and first uses the asset, or installs it ready for use, or brings the asset to its modified or improved state on or before 31 December 2010.

Businesses with an annual turnover of $2M or over can only claim on equipment costing $10,000 or above.

Generally, a business 'commits' to investing when: it enters into a contract under which the asset will be held or improved; it starts to construct the asset or improvement; or starts to hold the asset in some other way.

Small businesses entities can claim the 50% deduction for investments in eligible assets of $1,000 or more. For other businesses, a minimum expenditure threshold of $10,000 applies to be eligible to claim the 30% or 10% deduction. The cost of items forming part of a set and the cost of identical or substantially identical assets may be added together for the purposes of meeting the thresholds.

All assets must be used principally in Australia for the principal purpose of carrying on a business and meet certain eligibility criteria. Provided all of the eligibility criteria are satisfied for the income year, the tax break can be claimed as a tax deduction in the income tax return for the income year in which the asset is first used or installed ready for use.

Provided all of the eligibility criteria are satisfied, you can claim the Investment Allowance as a tax deduction in your income tax return for the income year in which you start to use an eligible asset or have it installed ready for use. The investment Allowance provides a bonus tax deduction – it is not a rebate or a refundable tax offset.

Taking you forward